

Message Text

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ACTION EB-11

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AID-20 CEA-02 CIAE-00 CIEP-02 COME-00 DODE-00 FPC-01

H-03 INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07

RSC-01 SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FEA-02

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 3007

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E.O. 11652: N/A

TAGS: EIND, EMIN, ETRD, JA

SUBJECT: INFORMATION ON JAPANESE STEEL INDUSTRY

REF: STATE 127209

SUMMARY: EMBASSY OBTAINED DATA IN RESPONSE QUESTIONS
PARA 1A-E REFTEL FROM MINISTRY OF INTERNATIONAL TRADE AND
INDUSTRY (MITI), MITSUI AND CO., LTD. (M), NIPPON KOKAN K.K.
(NK), AND NIPPON STEEL CORPORATION (NS). SOURCES EMPHASIZED
ESTIMATES ROUGH AND FREQUENTLY REVISED AS ECONOMIC
AND POLICY CHANGES OCCUR. ESTIMATES INDICATE PHYSICAL CAPACITY
JAPANESE CRUDE STEEL PRODUCTION FACILITIES WILL INCREASE FROM
CURRENT 125 MILLION METRIC TONS (MT) TO ABOUT 165 - 170 MILLION
MT PER YEAR BY 1980 AT COST OF US\$300 - 500 PER ADDITIONAL
TON OF CAPACITY. 1980 DOMESTIC DEMAND ESTIMATED AT 120 - 125
MILLION MT AND EXPORTS AT 38 - 40 MILLION MT. EXPORT
PATTERN NOT EXPECTED TO CHANGE RADICALLY BUT MODERATE SHIFT
FROM DC'S TOWARD LDC'S PROBABLE END SUMMARY

ACTION REQUESTED: DEPARTMENT'S ASSISTANCE IN REPLYING TO
REQUESTS BY MITI AND JAPANESE STEEL FIRMS FOR COMPARABLE DATA
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ON U.S. STEEL INDUSTRY, WHICH THEY ASSER IS NOT AVAILABLE.

1. ACCORDING MITI, CURRENT PHYSICAL PRODUCTION CAPACITY FOR CRUDE STEEL 125 MILLION MT. GOJ HAS APPROVED STEEL INDUSTRY PLANS TO EXPAND CAPACITY TO 140 - 146 MILLION MT BY 1977. GOJ HAS NO OFFICIAL 1980 ESTIMATES. HOWEVER, MITI WHITE PAPER ON TRADE PUBLISHED JUNE 25, 1974, GIVES 173 MILLION MT AS DESIRABLE CRUDE STEEL PRODUCTION FOR 1985 AND ENVISAGES STEEL IMPORTS OF 28 MILLION MT BY THAT YEAR.

2. 1980 CAPACITY: INDUSTRY ESTIMATES. ALL ASSUME AMPLE SUPPLY LABOR AND MATERIALS.

A) NS: 170 MILLION MT PHYSICAL CAPACITY WITH 93 PERCENT UTILIZATION RATE.

B) NK: 165 MILLION MT PHYSICAL CAPACITY.

C) M: 160 MILLION MT TOTAL PRODUCTION. (PHYSICAL CAPACITY ESTIMATES UNAVAILABLE.)

3. COST OF INCREASING CAPACITY TO 1980 LEVEL

A) NS: EARLY 1970'S COST \$215 PER ADDITIONAL MT OF CAPACITY (NEW FACILITIES). NS ESTIMATES \$300 PER ADDITIONAL MT OF CAPACITY FOR EXPANDING TO 1980 LEVEL.

B) N.K. ESTIMATES \$450 - 500 PER ADDITIONAL MT OF CAPACITY INCLUDING COST OF LAND RECLAMATION AS WELL AS CONSTRUCTION OF NEW FACILITY.

C) M: CURRENT COST \$200 PER TON OF CAPACITY FOR NEW PLANTS. NO LONG TERM ESTIMATES AVAILABLE.

NOTE: THROUGH EARLY 1970'S CAPACITY EXPANSION CONSISTED ALMOST ENTIRELY OF NEW FACILITIES. ACCORDING MITI, FUTURE POLICY GUIDANCE WILL EMPHASIZE UPGRADING EXISTING PLANTS (TO IMPROVE POLLUTION CONTROL AS WELL AS TO EXPAND PRODUCTION CAPACITY) AND MAKING MAXIMUM USE OF LAND ALREADY ALLOCATED TO INDUSTRIAL USE. VERY FEW NEW SITES WILL BE APPROVED FOR CONSTRUCTION OF STEEL MILLS.

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4. ESTIMATED DOMESTIC DEMAND 1980

A) NS: 120 MILLION MT. ASSUMES 1974 - 80 ECONOMIC GROWTH RATE LESS THAN 8 PERCENT PER YEAR.

B) NK: 120 - 125 MILLION MT.

C) M: 122 MILLION MT. ASSUMES 1975 - 80 ECONOMIC GROWTH RATE 7.5 - 7.6 PERCENT PER YEAR.

NOTE: MITI ESTIMATES 1977 DOMESTIC DEMAND AT 110 - 120 MILLION MT. WHITE PAPER ON TRADE CALLS FOR 7.3 PERCENT ANNUAL ECONOMIC GROWTH RATE THROUGH 1980 DECLINING TO 7 PERCENT 1980 - 85 AND ALSO FOR RESTRUCTURING OF INDUSTRY TO REDUCE STEEL OUTPUT FROM THE PRESENT 7 PERCENT TO 5.5 PERCENT OF TOTAL INDUSTRIAL PRODUCTION BY 1985.

5. ESTIMATED EXPORT QUANTITIES AND PATTERN 1980

A) NSC 40 MILLION MT. ASIA 40 PERCENT; LAT. AMERICA, AFRICA, MIDDLE EAST 25PERCENT; U.S., CANADA 20 PERCENT; E. AND W. EUROPE 15PERCENT. NSF BELIEVES JAPANESE STEEL EXPORTS WILL DECLINE FROM CURRENT 30 PERCENT OF TOTAL PRODUCTION TO 20 PERCENT IN NEXT DECADE. NS OFFICIAL STATED NS WILL CONTINUE TO SUPPLY TRADITIONAL CUSTOMERS IN DC'S AS LONG AS NECESSARY BUT WILL SEEK TO INCREASE EXPORTS TO LDC SUPPLIERS OF RAW MATERIALS TO JAPAN TO EXTENT POSSIBLE AND COMPATIBLE WITH THEIR OWN ECONOMIC DEVELOPMENT PROGRAMS. NS REP. EXPRESSED STRONG HOPE U.S. STEEL INDUSTRY WOULD PLAN MAJOR CAPACITY INCREASES TO REDUCE U.S. IMPORT DEPENDENCE.

B) NK: 40 MILLION MT
FORESEES NO MAJOR CHANGES IN EXPORT PATTERN EXCEPT FOR SLIGHT SHIFT FROM DC'S TO LDC'S WITH INCREASES GOING CHIEFLY TO LAT. AMERICA AND S.E. ASIA. N.K. REP. ALSO STRESSED "SOCIAL RESPONSIBILITY" OF JAPAN TO DO UTMOST TO MEET RISING DEMAND FOR STEEL AMONG INDUSTRIALIZING LDC'S.

C) M: 38 MILLION MT
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NOTE: MITI ESTIMATES 1977 EXPORTS OF 35 MILLION MT, DECREASE OF 5 MILLION MT FROM EXPECTED 40 MILLION MT 1974 EXPORTS. MITI EXPECTS 1977 EXPORTS TO GO TO ASIA 40 PERCENT; U.S., CANADA 27 PERCENT; MIDDLE EAST, AFRICA 10 PERCENT; LAT. AMERICA 10 PERCENT; EUROPE AND OTHERS LESS THAN 13 PERCENT. MITI REP. ALSO SPOKE OF JAPAN'S OBLIGATION TO MEET DEMANDS FOR STEEL AMONG INDUSTRIALIZING LDC'S EVEN IN FACE OF DOMESTIC SHORTAGES.

6. ONE COPY "PROJECTION 80; SUMMARIZATION OF WORLD STEEL SUPPLY AND DEMAND IN 1975 AND 1980," A SEPTEMBER 1973 MITSUI STUDY AIRPOUCHED JULY 1. REPORT PREPARED FOR MITSUI IN-HOUSE USE, IT SHOULD NOT BE IDENTIFIED IN PUBLICLY RELEASED DOCUMENTS.

7. MITI AND STEEL FIRMS EXPRESSED HOPE RECEIVING
COMPARABLE DATA ON U.S. STEEL INDUSTRY IN RETURN FOR THEIR
COOPERATION IN REFTEL USG STUDY. THEY INDICATED NEITHER
USG NOR US PRIVATE INDUSTRY PROVIDING THIS INFORMATION TO
OECD OR OTHER INTERNATIONAL FORUMS. EMBASSY UNIFORMED
U.S. POLICY THIS MATTER AND WOULD APPRECIATE
DEPARTMENT'S GUIDANCE. WE PROMISED MITI AND STEEL FIRMS
A REPLY ON THIS ISSUE.
SHOESMITH

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